IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Before the Board of Patent Appeals and Interferences

Application Serial No. 10/673,798

Filed: September 29, 2003

Art Unit: 3626

Examiner: Rachel L. Porter

METHOD OF PROVIDING INSURANCE COVERAGE AS A SECURITY DEPOSIT GUARANTEE

Ex parte: Joseph M. McNasby

BRIEF FOR THE APPELLANT

Day Pitney LLP
Attorneys for the Appellant

DP Ref.: 405027.106978

I. REAL PARTY IN INTEREST

The real party in interest is MDM Group Associates Inc.

II. RELATED APPEALS AND INTERFERENCES

None. However, it is noted that the Supreme Court of the United States has granted certiorari on ***In re Bilski***, 545 F.3d 943, 88 U.S.P.Q.2d 1385 (Fed.Cir. 2008), and the result of this appeal may have an impact on the present appeal.

III. STATUS OF CLAIMS

Claims 1-26 are rejected and are being appealed.

IV. STATUS OF AMENDMENTS

No response was filed to the final Office Action of August 8, 2008. A Notice of Appeal was dated February 8, 2009, with an apparent Office filing date of February 13, 2009.

V. SUMMARY OF CLAIMED SUBJECT MATTER

A first aspect of the present invention, as recited in Claim 1, relates to a method of providing insurance coverage as a security deposit guarantee, comprising the steps of: establishing a contractual agreement between a property manager on behalf of a lessee to insure a leased residential unit and said insurer ready to insure against losses caused by a lessee which exceed a certain percentage of a gross premium charge (paragraph 22, lines 1-11; Fig. 1, elements 10, 12, 14); and providing a policy of indemnity insurance sufficient to compensate for said possible losses (paragraph 24; lines 1-21).

A second aspect of the present invention, as recited in Claim 12, relates to a method of providing insurance coverage as a security deposit guarantee, comprising the steps of: executing an agreement for a leased residential unit by a lessor and lessee directing payment of lease payments to a property manager (paragraph 24, lines 10-11; Fig. 1, element 30); collecting said lease payments from said lessee according to said agreement (paragraph 25, lines 2 and 3; Fig. 2, element 36); and removing a gross premium charge from said lease payments (paragraph 25, lines 3-5; Fig. 2, element 38).

VI. GROUNDS OF REJECTION TO BE REVIEWED UPON APPEAL

1. Do Claims 1-26 recite statutory (patentable) subject matter under 35 U.S.C. §101?

2. Are Claims 1-8 and 10-26 patentable under 35 U.S.C. §102(e) in view of the Taylor reference (U.S. published application 2002/0010601)?

3. Is Claim 9 patentable under 35 U.S.C. §103(a) over the Taylor reference in view of the Walker reference (U.S. Patent No. 6,208,978)?

VII. ARGUMENTS

1. Do Claims 1-26 recite statutory (patentable) subject matter under 35 U.S.C. §101?

At the time of the preparation of this brief, certiorari before the Supreme Court of the United States has been granted with respect to ***In re Bilski***, 545 F.3d 943, 88 U.S.P.Q.2d 1385 (Fed.Cir. 2008). This appeal is being heard by the Supreme Court under the title ***Bilski and Warsaw v. Doll,*** 08-964 (2009). It is therefore respectfully submitted that controlling precedent is unsettled and that the result of any appeal before the Supreme Court of the United States may affect the weight and applicability of the following arguments.

By force of statute, an invention is eligible for a patent if the subject matter is "any new and useful process, machine, manufacture or composition of matter", 35 U.S.C. §101 (1952), each of which is a distinct and independent statutory class. When this issue had been previously considered by the Supreme Court, the Court consistently gave a sweeping interpretation to this language. In ***Diamond v. Chakrabarty,*** 447 U.S. 303, 308 (1980), the Court stated that "Congress plainly contemplated that the patent laws would be given wide scope" and further recognized that Congress intended that the classifications of statutory subject matter "include

anything under the sun that is made by man", ***Id.*** at 309. The Court further recognized that when determining whether an invention falls within patentable subject matter that 35 U.S.C. §101 should be read expansively so as not to impair or exclude the development and protection of emerging and unforeseen technologies by stating "Congress employed broad general language in drafting §101 precisely because such invention are often unforeseeable", ***Id.*** at 309. However, "laws of nature, physical phenomena, and abstract ideas have been held not patentable", ***Id.*** at 309.

Subsequently, in ***Diamond v. Diehr,*** 450 U.S. 175, 184 (1981), the Supreme Court set a standard by which process claims using an algorithm are evaluated to determine patentability under 35 U.S.C. §101. The Court concluded in this case that that the application or use of "a mathematical formula, computer program, or digital computer" does not convert an otherwise statutory claim into a nonstatutory claim so long as the mathematical formula, computer program or digital computer does not "pre-empt the use of" an equation or abstract idea, ***Id.*** at 187.

However, in ***Bilski***, the Federal Circuit appears to have developed a new test, to wit, "if (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." ***In re Bilski,*** at 951. However, this machine or transformation test ignores analysis necessary from the ***Diehr*** case to determine whether a process claim forecloses the application of a law of nature, physical phenomena, or abstract idea. Similarly, the ***Diehr*** case provides a framework for the analysis of what may be termed "legal obligations" (laws of nature, physical phenomena, abstract ideas) whereas the ***Bilski*** case is being construed to preclude patentability for any claims drawn to legal obligations.

It is therefore respectfully submitted that a proper reading of the relevant statutory language, as well as Supreme Court precedent, allows for the patentability of the presently pending claims.

2. Are Claims 1-8 and 10-26 patentable under 35 U.S.C. §102(e) in view of the Taylor reference (U.S. published application 2002/0010601)?

The Taylor reference relates to a method and apparatus for a landlord or property owner to track the property insurance policies of the individual tenants. In the case of the leases requiring the tenants to maintain insurance, the method and apparatus would obtain insurance coverage for the otherwise uninsured tenants and bill these tenants for the cost of coverage as part of the monthly rent.

This is quite different from the presently claimed invention as recited in Claim 1 which recites "to insure against losses caused by a lessee which exceed a certain percentage of a gross premium charge." This insurance of losses "which exceed a certain percentage of a gross premium charge" allows for a degree of self-funding of a "fiduciary account, loss fund" (Figure 2, element 54, as well as elements 56, 58, also see the splitting element 38 into elements 42, 44, 54) to pay for minor damage without resort to the insurance policy, and further allows for an extra source of revenue for the property manager if any funds remain in this account (see element 58).

Similarly, Claim 12 recites a "method of providing insurance coverage as a security deposit guarantee". This is quite different from the Taylor reference which relates to renter's insurance for liability and property coverage for the renter's property. On the other hand, a

security deposit is for tenant damage to the owner's real or personal property in the renter's care, custody or control. Renter's insurance does not eliminate the need for a landlord or owner to charge a security deposit. Additionally, Claim 12 recites "removing a gross premium charge from said lease payments". This is quite different from merely adding the "bill" to the monthly rent charge as recited in paragraph 26 of the Taylor reference. The removing of the gross premium charge of Claim 12 lays the groundwork for the splitting of the "gross premium" into elements 42, 44, 46, 48, 50, 52, 54, 56 and 58 as shown in Figure 2, thereby providing a degree of self-insurance and allowing for an extra source of revenue for the property manage if any funds remain in this account.

It is therefore respectfully submitted that this rejection is overcome.

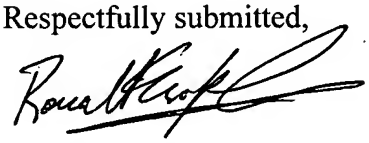
3. Is Claim 9 patentable under 35 U.S.C. §103(a) over the Taylor reference in view of the Walker reference (U.S. Patent No. 6,208,978)?

The Walker reference is cited for the purpose of disclosing a letter of credit. However, the Walker reference does nothing to disclose or suggest the language of Claim 1, upon which Claim 9 depends, regarding insuring "against losses caused by a lessee which exceed a certain percentage of a gross premium charge". As stated above, this allows for a degree of self-funding of a "fiduciary account, loss fund" to pay for minor damage without resort to the insurance policy, and further allows for an extra source of revenue for the property manager is any funds remain in this account (see element 58).

It is therefore respectfully submitted that this rejection is overcome.

The Board is respectfully requested to find all of the presently pending claims to be allowable.

Respectfully submitted,



Ronald E. Brown
Registration No. 32,200

Day Pitney LLP
7 Times Square
New York, New York 10036-7311
212-297-5800

VIII. CLAIMS APPENDIX

1. A method of providing insurance coverage as a security deposit guarantee, comprising the steps of:

establishing a contractual agreement between a property manager on behalf of a lessee to insure a leased residential unit and said insurer ready to insure against losses caused by a lessee which exceed a certain percentage of a gross premium charge; and

providing a policy of indemnity insurance sufficient to compensate for said possible losses.

2. The method of claim 1, wherein said property manager submits an application form to an insurer regarding said leased residential unit.

3. The method of Claim 1, wherein said application form is created by said insurer.

4. The method of claim 1, wherein said submitting step is carried out by said property manager.

5. The method of claim 1, wherein said insurer evaluates whether to agree to the transfer of a proposed risk using an insurance underwriter.

6. The method of claim 1, wherein said insurer communicates information regarding said proposed risk to said insurance underwriter.

7. The method of claim 1, wherein said property manager receives a binding commitment from said insurer regarding the acceptance of said proposed risk.

8. The method of claim 1, wherein said insurance underwriter determines a quote of a particular monetary amount forming the basis of said gross premium charge to be collected and managed by said property manager.

9. The method of claim 1, wherein said property manager supplies a letter of credit (LOC) to said insurance underwriter in an amount specified by said insurance underwriter.

10. The method of claim 1, wherein said proposed risk relates to said leased residential unit.

11. The method of claim 1, wherein said insurer assures payment to said property manager, if said losses occur.

12. A method of providing insurance coverage as a security deposit guarantee, comprising the steps of:

executing an agreement for a leased residential unit by a lessor and lessee directing payment of lease payments to a property manager;

collecting said lease payments from said lessee according to said agreement; and

removing a gross premium charge from said lease payments.

13. The method of claim 12, wherein said agreement incorporates terms required by an insurance underwriter.

14. The method of claim 12, wherein said insurance underwriter reviews and approves said agreement.

15. The method of claim 12, wherein said collecting and removing steps are performed by said property manager.

16. The method of claim 12, wherein said property manager preferably deposits said lease payments received into an account held by said lessor.

17. The method of claim 12, wherein the duration of said agreement is one year.

18. The method of claim 12, wherein the directing step is performed on a monthly basis.

19. The method of claim 12, wherein proceeds from said gross premium charge are distributed according to:

a guaranteed flat fee of the total revenue collected is retained by said property manager;

a portion is placed into a fund administered by said property manager; and

a net premium is paid to said insurance underwriter.

20. The method of claim 19, wherein said insurer assures payment for losses which exceed a certain percentage of said gross premium charge when said property manager has exhausted both said fund and said guaranteed flat fee.

21. The method of claim 19, wherein said net premium is utilized by said insurance underwriter for fronting costs, reinsurance, third-party administrative costs, and broker fees.

22. The method of claim 19, wherein said net premium frequency is monthly.

23. The method of claim 1, further comprising,

inspecting, measuring, and testing said leased residential unit by said property manager in the event of a claim for damage;

determining whether said leased residential unit meets management criteria established by said policy of indemnity insurance; and

computing and providing payment out of a fund for said claim by said property manger, in accordance with the terms of said policy of indemnity insurance.

24. The method of claim 23, wherein said property manager generates periodic management reports for the benefit of said insurance underwriter.

25. The method of claim 23, wherein said claim for damage arises from one or more selected group consisting of a default on periodic lease payments, damage to said leased residential unit and destruction of said leased residential unit.

26. The method of claim 24, wherein said periodic management reports document gross and net premium charges and said payment from said fund.

IX. EVIDENCE APPENDIX

None

X. RELATED PROCEEDINGS APPENDIX

None.